



Memo

January 28, 2016

From: Clean Clothes Campaign, International Labor Rights Forum, Maquila Solidarity Network, and Worker Rights Consortium
To: Interested Parties
Re: **Ongoing Safety Delays at H&M Suppliers in Bangladesh**

An updated analysis of current safety action plans for H&M's strategic suppliers in Bangladesh reveals that, four months after the last report, H&M is still far behind in meeting its commitments. All but one of these factories remain behind schedule, relative to deadlines mandated by the Accord on Fire and Building Safety in Bangladesh (the Accord), nearly one thousand required renovations have still not been completed, and H&M has made insufficient progress in correcting the most life-threatening safety violations such as the installation of adequate fire exits.

Background

During August 24 to September 1, 2015, the Clean Clothes Campaign, International Labor Rights Forum, Maquila Solidarity Network, and Worker Rights Consortium reviewed the Corrective Action Plans (CAPs) posted on the website of the Accord on Fire and Building Safety in Bangladesh, a comprehensive repository of publicly-available data on the pace of progress on safety renovations at each factory covered by the Accord.¹ The report focused on H&M's strategic suppliers, the so-called Platinum and Gold factories, studying each of the 32 Accord CAPs available for these factories, in order to assess the progress they had made in implementing the repairs mandated by Accord inspectors. The analysis revealed that the majority of the required repairs listed in the CAPs were far behind schedule. In particular we found that over 60% of the factories did not have adequate fire exits.

Between January 11 and 16, 2016, these four NGO witness signatories to the Accord conducted a new review of CAPs for the same 32 H&M strategic suppliers, in order to determine whether H&M had fundamentally improved its performance over the last quarter.²

Findings

It is now over two and a half years since H&M signed the Accord, and it has been 16 to 22 months since its strategic suppliers were initially inspected by the Accord's safety engineers and

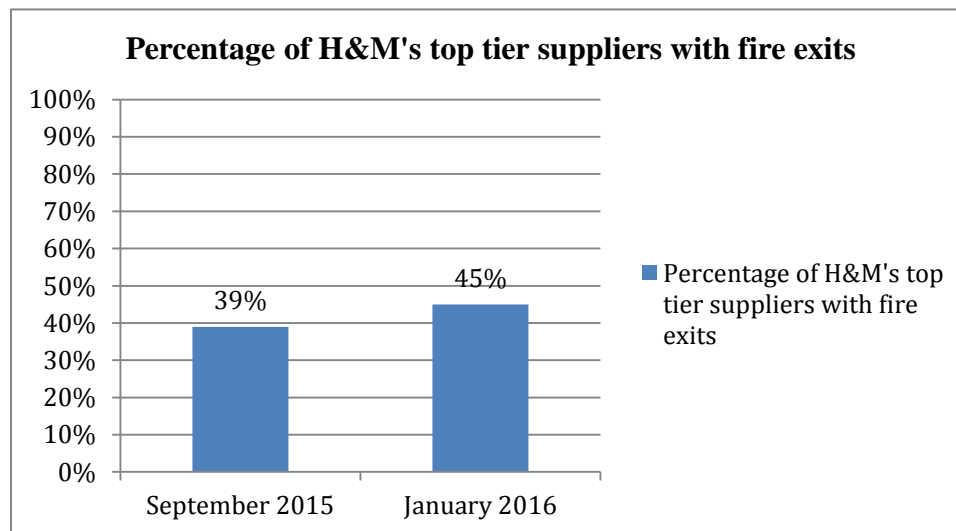
¹ CCC, ILRF, MSN and WRC. "Evaluation of H&M Compliance with Safety Action Plans for Strategic Suppliers in Bangladesh." September 2015. <http://laborrights.org/hmcapsreport>

² For all factories covered by the Accord, Corrective Action Plans are updated on an ongoing basis. They are available at <http://accord.fairfactories.org/ffcweb/Web/ManageSuppliers/InspectionReportsEnglish.aspx>

directed to undertake essential and urgent safety renovations. The original mandated deadlines for performing repairs were primarily in the range of one month to six months, with very few timelines extending beyond one year. By now, each of these factories should have already completed *all* required renovations, with minimal exceptions.

Our analysis of the updated data for the 32 Platinum and Gold suppliers covered in the previous report showed that, as of January 2016, a total of 992 required structural, fire and electrical renovations have still not been completed, an average of 31 uncompleted safety renovations per factory. This means that H&M's top tier suppliers have failed to complete³ nearly four in ten of the required renovations (37.2%).

We are particularly concerned by the slow pace of those renovations that are most critical to saving lives in the case of a fire: the removal of sliding doors, collapsible gates and lockable exits, and the installation of fire-rated doors and enclosure of stairwells – all essential measures to ensure workers will not be trapped in a burning building. In 13% of the factories (compared to 16% in September) locks that could prohibit workers from exiting the building during a fire have not yet been removed, despite this constituting a repair that can and should be completed in a matter of days. Thirty-eight percent of the factories (compared to 55% in September) still have not removed the sliding doors and collapsible gates which could severely impede workers' egress in the case of an emergency, an improvement where the original timeline for completion was several weeks, at most. The installation of fire-rated doors and enclosure of stairwells, which generally carry a three-month timeline, is the single most important step a factory can take to ensure safe egress during a fire: literally, a matter of life and death.⁴ Alarming, as of this month, 55% of H&M's Platinum and Gold factories have failed to complete this renovation (an improvement of only 6% since our prior report).



³ For purposes of our prior report, and the present assessment, we considered a renovation to be complete if the factory has reported it complete, even if the Accord's independent inspectorate has not yet verified it; thus, this report likely overstates the level of progress at H&M factories.

⁴ For discussion on why this particular renovation is so important, see our September 2015 report, <http://laborrights.org/hmcapsreport>

Since September there was an increase of 398 items requiring renovations, reflecting new problems identified through follow-up inspections. During these follow-up inspections, many of the lagging factories were granted timeline extensions, beyond the original, expired deadlines, for certain renovations. As a result, the percentage of renovations reported as incomplete and behind schedule is down to 24.5%, from 52% in September. While this reflects actual progress in some cases, unfortunately, in other instances, it was the granting of new deadlines to replace those previously missed, not the completion of renovations, that changed an item to “on schedule.”⁵

In October 2015, we raised our concern that one cause of the delays to repairs could be the failure of H&M to adequately assess the financial ability of its suppliers to carry out mandated repairs. We urged H&M to engage in more systematic analysis of the extent to which this presents an issue for each factory and to take the necessary steps to remove this barrier. This is an obligation that the Accord places on signatory brands. We also called on H&M to be more transparent about its financing for repairs, which unfortunately the company has not done. We continue to urge H&M to provide sufficient funding for fire, electrical and structural renovations in an expeditious manner and to publicly report on how much financing the company is providing to its suppliers and in what form.

Snapshot of delays across H&M's full supplier list

Since September, the Accord has improved the amount of information available by publishing an *overall* status designation for every Accord-listed factory.⁶ This list shows which factories report the completion of all repairs, which are on schedule to do so, and which are behind schedule. This data enabled us to carry out a basic comparison between the original 32 strategic suppliers and H&M’s entire supplier base of 229 factories.

This comparison reveals that whether a factory is an H&M strategic supplier,⁷ or a less-preferred supplier,⁸ makes little difference to the rate of progress. Of the 229 H&M suppliers in Bangladesh, 205 (89.5%) are reported as being “behind schedule,” 10 are “on track” and 14 have no Accord CAP posted online at all. In comparison, of the 32 strategic suppliers, all but one (96.9%) are behind schedule. Why those factories with which H&M works most closely, and over which it has the greatest influence, are performing no better than the rest of its factory base is unclear, but it does not reflect well on H&M’s safety efforts.

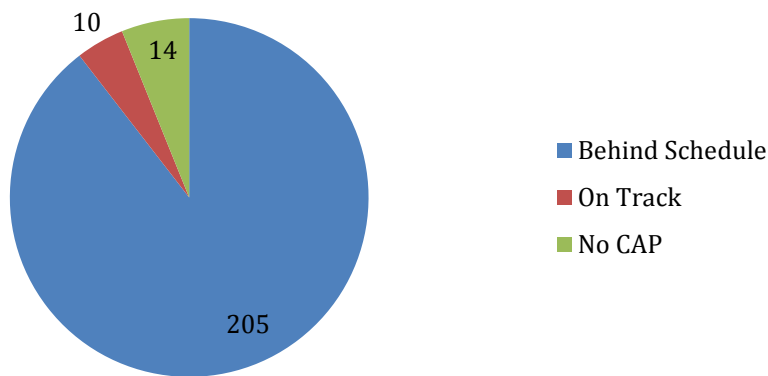
⁵ Based on annotations in the CAPs, it is important to note that the extensions in question are not, in most cases, granted because of legitimate reasons for delay, but simply because the factory’s failure to meet the original deadlines made the establishment of new target dates unavoidable.

⁶ See <http://accord.fairfactories.org/ffcweb/Web/ManageSuppliers/InspectionReportsEnglish.aspx>

⁷ Rated by H&M as Platinum or Gold.

⁸ Receiving a Silver or Other rating by H&M.

Number of H&M suppliers on schedule vs. behind schedule on renovations



Conclusion

There has been some limited progress in H&M's Platinum and Gold factories over the four months since our prior report and the company reports being in dialogue with Industriall, one of the Accord signatory unions, to address remediation delays.

However, progress achieved is far too scant. These factories were inspected well over a year ago, with some approaching two years since inspection, and the hazards still waiting to be addressed are life-threatening in nature, which makes immediate remediation imperative. As of today, hardly any of H&M's factories in Bangladesh can be called safe – and more than half have failed even to create proper fire exits. For a company with H&M's resources and clout – it is the largest buyer of clothes in Bangladesh – this performance is indefensible.